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REFUTING THE VIEWS OF MA YIN-CH'U
ON THE KEYNESIAN THEORY

- COMMUNIST CHINA -

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REFUTING THE VIEWS OF MA YIN-CH'U
ON THE KEYNESIAN THEORY

[The following is a full translation of an article written by HSIANG Ch'ung and HU Ch'ing in Kuang-ming Jih-pao, Peiping, 13 June 1960, page 3.]

I

The economic "theory" advocated by Ma Yin-ch'u in the past several decades is actually nothing more than (a stall of promiscuous goods of the various schools and sects of) vulgar bourgeois economics. After the 1930's, the Keynesian theory (in this stall of promiscuous goods) has acquired an increasingly important position. The purpose of this article is to expose and criticize how Ma Yin-ch'u has consistently peddled the Keynesian theory.

As has already been pointed out by others, Ma Yin-ch'u, as one of Keynes' disciples in China, is no more than one who scarcely made the grade. This should perhaps be attributed to his speculationist character in China's scholastic circles and also to his particular mediocrity in logical thinking. But, looked upon from another angle, Ma Yin-ch'u is yet truly a rare, faithful follower of Keynes in China.

Especially after liberation, he has systematically peddled the Keynesian theory. This cannot but be attributed to his obstinacy and insistence upon the bourgeois standpoint and the capitalist road till this day, and to his long-cherished, deep-rooted hostility toward Marxism-Leninism.

Recently, the stale goods of Ma Ying-ch'ü have somehow suddenly turned into "Sinified new theory," and are even said to "possess the great power of universal salvation." Naturally, this "new theory" also includes the Keynesian theory. For the sake of peddling this kind of contraband, Ma Yin-ch'ü still mendaciously wants to "criticize" Keynes, and he tells people that "Opposed to our theory is the prevailing theory (i.e., The General Theory -- note by quoter) of the British economist [Sir John Maynard] Keynes."

Shedding crocodile's tears, he even says: "Before liberation, there had been a great many of those among the nation's economists who worshipped Keynes," adding: "Little do we realize that there are today still such heartless and maniacal intellectuals who, disregarding the difference between systems and discrepancy between national conditions, dream of arbitrarily transplanting Keynes' prevailing theory and forcibly imposing it upon China; it is hard, indeed, to understand their intentions."¹

Actually, it is not so hard to understand the intentions of Ma Yin-ch'ü. In the "Author's Preface" of his "Finance and China's Financial Administration" published in 1948, Ma Yin-ch'ü has already frankly bared his true face in its entirety.

Here, he admitted that he relied on vulgar economics of "the West" in "studying" China's economic problems. From his point of view, since, in vulgar economics, "the new classical school has already been severely attacked by the Keynesian school and refuted almost to its very core," so the Keynesian theory has really become "the new tide representative of the times" and the "golden laws."

Ma Yin-ch'ü explained that he really "could not depart" from this stream of thought. He admitted that his own brand of "theory" was actually not "new" but "learned from the West," and that it was vulgar economics and, especially, that the Keynesian theory and "trained" his "thinking," "taught" him "research methods" and given him "precious tools"--which meant, namely, "Economic Philosophy and the Methodology of Economics."

The "Sinified" "new theory" established by him was but a "combined treatment" of using these "precious tools" in analyzing "the nation's economic actualities," with a view

to "refining" therefrom a panacea for "universal salvation" -- such as his "T'uan-t'uan-chuan" [literally "Round-and-round Circulation," a theoretical system in economics as conceived by Ma Yin-ch'u himself].²

Let us, then, take a look at the "precious tools" of Ma Yin-ch'u and see what this system of "Economic Philosophy and the Methodology of Economics" with which he tries to "refine" our nation's economic actualities really is.

In the first place, the views held by Ma Yin-ch'u in the past several decades with regard to such basic problems as the subjects of study in political economics, the theory of value, etc., and the glossary of polemistic technical terms pertaining to marginal concepts and psychological factors which he has used in "explaining" the economic problems of our country, the measures he has advocated in "adjusting" economy in the sphere of circulation: are all clumsily copied from vulgar economics and from Keynes' methodology.

The basic characteristic of this methodology is to take away the production relationship between the different classes and social groups entirely from the subjects of study in political economics, and stealthily substitute it with the relationship between man and commodity or even the relationship between commodity and commodity, thereby achieving the purpose of concealing the true character of capitalist production and perpetuating the capitalist system indefinitely.

At the same time, in this type of "theoretical system" an effort is always made to minimize the function of the production processes and exaggerate the function of the circulation processes, regarding the latter as of foremost importance in the national economy. As for the "T'uan-t'uan-chuan" suggested by Ma Yin-ch'u, it also falls in line with vulgar economics and the Keynesian methodology.

From "T'uan-t'uan-chuan," people may observe a great deal of topsy-turvy "common relationship" between commodity and commodity, but cannot see any link pertaining to the special character of socialist production relationship.

Also, his "T'uan-t'uan-chuan" is centered on circulation processes; it brazenly starts with commodity price and ends also with commodity price, "basing itself on stabilized commodity price."

Today, Ma Yin-ch'u is using this methodology to obliterate the fundamental difference between our country's economic system and the economic system of capitalist countries, and is vainly hoping to reform our country's economic life in accordance with capitalist principles.

Secondly, the most vulgar equilibrium theory is among the principal goods Ma Yin-ch'u has consistently peddled in the past several decades. Before liberation, he had frankly admitted that his "equilibrium concept is derived from physics and applied in economics." He takes the present society as an abstract "system;" in this "system" the various economic factors basically tend to reach an equilibrium.

The reason why sometimes such equilibrium is found lacking is because of "the intervention of external forces, which disturb the equilibrium; but when such external forces are eliminated, the system would again return to its original condition." Similarly, the "T'uan-t'uan-chuan" theory which Ma Yin-ch'u has fabricated today to denounce the high speed of the Big Leap Forward and to propagate capitalist principles is, in essence, also this type of vulgar equilibrium theory.

Just as he has said himself: "When a state of balance or equilibrium prevails, the struggle of the opposites stops; at this time, the last link in the circle of the T'uan-t'uan-chuan returns to its original position." This statement utterly lays bare fact that Ma Yin-ch'u, who has been "trained" for several decades in vulgar economics, is basically unable to understand the following: Since the struggle in a situation of contradiction is absolute, then equilibrium would not, nor could, eliminate such struggle. The state of equilibrium itself represents merely a temporary unity of the struggling [opposites] in the situation of contradiction.

This type of thoroughly idealistic and metaphysical methodology constitutes also the core of Keynes' "theoretical" system. Even though Keynes himself, facing the fait

accomplish of vast unemployment in the world then, could not but in his "theoretical mode" substitute the equilibrium of "full employment" in vulgar economics of the past with an equilibrium of "under employment;" but, to deny the internal contradiction of things and ignore the essential interrelationship between things, and to set equilibrium as a prerequisite and the equilibrium relationship as an ultimate condition, not viewing equilibrium as a temporary phenomenon; all this is really a principal characteristic of Ma Yin-ch'u, Keynes and all vulgar Economists.

From the above, we see two of Ma Yin-ch'u's "precious tools" which are in line with vulgar economics and the Keynesian viewpoint and methodology. Before liberation, Ma Yin-ch'u openly branded Marxism-Leninism as "out-of-date," as "dogmatism from foreign books," and as "making no sense in its theoretical presentation and not worth discussing."⁴

He even declared that he would "wipe clean" Marxism-Leninism.⁵ Till the very eve of China's total liberation, Ma Yin-ch'u was still vainly trying to resist the New Democracy set forth by our Party and Chairman Mao, shouting desperately that "the age of laissez-faire capitalism in China is not yet over."⁶

This kind of utterance is no different from the extremely reactionary allegations hurled by Keynes, who, regarding himself as a "sworn enemy of Bolshevism,"⁷ slanders Marxism-Leninism as "erroneous and nonsensical," as "below-the-level political economics," and who even expressly wants to "destroy" Marxism with his own writings.

II

Since Ma Yin-ch'u has inherited Keynes' "Economic Philosophy and the Methodology of Economics," he naturally wants to exalt the whole series of preposterous doctrines in Keynes' representative work, "The General Theory of Employment, Interest and Money" as "golden laws" and peddle them to the best of his ability.

In the book "Finance and China's Financial Administration" mentioned in the foregoing section, Ma Yin-ch'u first peddles the "outline" of Keynes' "General Theory" represents nothing more than an attempt to attribute the cause of vast unemployment in capitalism generally to the insufficiency of effective demands. This insufficiency of effective demands is said to result from the functioning of three psychological factors of men.

These three basic psychological factors are, namely: the marginal consumption propensity (the proportion of consumption increase in relation to income increase), the marginal efficiency of capital (the capitalist's anticipated profits from his investment), and the liquidity preference (man's psychological tendency in wanting to keep cash on hand, with interest representing the reward for giving up this preference).

Keynes holds that, in capitalist society, the marginal consumption propensity continues to fall off, and therefore the demand for consumption goods becomes insufficient.

Meanwhile, because the marginal efficiency of capital, along with the development of capitalism, also has a tendency to diminish, the falling of interest rate is relatively not as fast as the falling of marginal efficiency of capital because the liquidity preference is more stable.

Hence, capitalists are prone to "liquefy" their assets and do not want to invest their capital in production; this, in turn, reduces the demand for means of production in society. All this, consequently, converges to cause vast unemployment and outbreak of economic crises.

In this article, we do not prepare to criticize the whole "outline" of Keynes which Ma Yin-ch'u peddles, because, as everyone knows, the over-production and under-demand in the capitalist system are most certainly not caused by the factors as Keynes has concocted, but created by the internal contradiction of capitalism.

Yet Ma Yin-ch'u, in addition to systematically peddling such preposterous theories, has even more specifically advocated his proposition of a "combined treatment" of actualities and theories. He regards this work [of Keynes]-- "the new tide representative of the times" -- as having been

written entirely on the basis of fully developed capitalism and on the national conditions of the two highly industrialized countries of Britain and the United States," which, however, would be hardly "applicable" as far as "backward agrarian countries" like ours are concerned.

His specific reasoning is mainly that, in our country, there is "under investment of capital, but over supply of labor" (here, he is quoting the words of imperialist element Tawney in order to illustrate his consistent view about "too big a population with too little capital").

Therefore, "in China, capital has a very high marginal efficiency. We should only worry about insufficiency of capital, but not about the lack of outlets for investment. This is considerably different from the situation in the United States, where economic development has reached the point of saturation."

Also, the "living standards are particularly low" in the case of China's peasants; their marginal consumption propensity is quite unlikely to become lower for the time being. "If ways and means can be found to increase peasant revenue (income), the rate of consumption would only tend to go up."

As for "theories like those which postulate that, in highly industrialized countries, interest rate should be lowered in order to encourage investment, or public works should be advanced by the government, etc.," they also need not be adopted for the time being, because China's economy is far too "backward" in comparison to countries like Britain and the United States.

The foregoing passage indicates that Ma Yin-ch'u considers this "loftiest and newest theory" of Keynes as completely "applicable" in respect to the "national conditions" of countries like Britain and the United States, which he worships to the extent of crawling on all fours, and as suitable for these countries to make it the guidepost in carrying out economic policies.

The reason why it is not "applicable" in China is not because there may be any error in the Keynesian "theory" but because China is poor and "backward," wherein conditions are not ready yet, and because China, "in order to

transform herself into an industrial society, must also follow certain orderly steps and cannot achieve her goal in a single leap" ¹⁰ and therefore she is still "unsuitable for application."

According to his consistent assertion and in his own words, this is to say that if China tries to limit the size of her population and "take advantage of foreign capital in promoting the development of her productive power," ¹¹ she may then unchain herself from the situation of "too big a population with too little capital" and advance toward the road of such "highly industrialized countries" as Britain and the United States. By that time, this "loftiest and newest theory" may then become entirely applicable.

Just as we are going to point out below, this preposterous proposition of a "combined treatment" of actualities and theories tallies entirely with the expression of the hireling scholars of imperialism. It not only shamelessly defends the ruling circles of imperialism in their snatching of markets for investment and execution of colonial policies, but also attempts to spread slavish thinking toward foreigners in the colonies and semi-colonies.

What a measure of servility has Ma Yin-ch'u acquired, indeed, in respect to the Keynesian theory, which serves imperialism and caters to monopoly capital!

After the elapse of ten years, and after world-shaking changes have taken place in China, Ma Yin-ch'u has now published his principal writing since liberation, "My Economic Theory, Philosophical Thought, and Political Stand."

In this book, he openly transcribes the spirit and essence of the preposterous theory described above in its entirety in exactly the same tone as ten years before. The following are his two central arguments:

First, he chooses to propagate the views of America's followers of the Keynesian theory, asserting will-nilly that "the American economy has already developed to the point of saturation, and outlets for investment are already exhausted; this shows how low the marginal efficiency of capital has become. Investment has covered all the

relatively more profitable enterprises; hence, in order to promote investment further, there must be additional ways." Then, he immediately says: "Our country's background is very poor. There are many enterprises that need to be established. We should therefore mobilize all positive factors to promote socialist construction; it is still too far for us to speak of any point of saturation and farther, still, for us to regard any marginal efficiency of investment as too low."

To illustrate this point, he further starts desultorily to "refine" the practical examples in our industry and mining and agriculture, repeatedly employing capital and, with "manpower (also) so cheap," how, "at the present," she still cannot speak of those "golden laws" such as "the marginal efficiency of capital being too low, or investment having reached a point of saturation," etc.¹²

The views of America's followers of the Keynesian theory regarding the marginal efficiency of capital as peddled by Ma Yin-ch'u can hardly stand up to any refutation. We know that in a capitalist society such as that of the United States, the amount of investment by the capitalists is definitely not determined by the capitalists' "anticipation" of future profits and its relationship to interest rate, but determined by the general conditions in the reproduction processes.

Only when investment could enable the capitalists to gain vast profits would they expand their investment blindly.

During a period of depression, even when loan interests may be very low, but because sales conditions would be unfavorable, the amount of investment must still be very limited. As for the average profit rate tending to become lower in capitalism, this is the inevitable outcome of an elevation of the organic composition of capital; it has little to do with the functioning of any "law of a decreasing marginal production rate" at the time of an increase in investment.

Actually, this decreasing law is predicated upon the assumption of non-change in the level of technology and partial increase in the respective factors of production; not at all does it tally with the real situation in

capitalist reproduction processes.

Ma Yin-ch'u's purpose in using this Keynesian concept of the marginal efficiency of capital to propagate that, in the United States, such marginal efficiency of capital is already "very low" and "economic development has already reached the point of saturation," etc., is merely to conceal the exploitation relationship between man and man in capitalist society, so as to establish a "theoretical" basis for the propagation of a "Keynesian style" program in promoting investment.

What is even more important is this: in order to push through his own preposterous theory, Ma Yin-ch'u brazenly obliterates the essential difference between the capitalist system and socialist system.

According to the "logic" he has learned from Keynes, this would mean that, in our country "at present," because there is too little capital and the ability to purchase machinery and equipment is limited, the products thus manufactured would be few and their price would be high. If calculated against the cost of heavy equipment in existing production outfit, the prospective marginal efficiency of capital or profit rate would naturally be too low and not very high.

When, "in the future," China is developed into a "highly industrialized country" like Britain and the United States, production outfit would necessarily be expanded; accordingly, commodity price would become lower because of the increase in supply, and the cost of heavy equipment in production outfit would become higher because of the exhaustion of resources.

Only by that time would economic development be regarded as having reached the "point of saturation," and the marginal efficiency of capital would become lower.

Entirely contrary to the preposterous theory of Ma Yin-ch'u, the fact is that our country's socialist economic construction is carried forward according to plan and in high speed.

While we proceed with our large-scale industrial and agricultural construction, we have not only correctly dealt with the proportional relationship between industry

and agriculture, and between heavy industry and light industry, but also correctly dealt with the proportional relationship between accumulation and consumption.

Fundamentally, we would never proceed with our investment and construction program according to management principles of capitalist enterprise in the first place, nor is there any so-called prospective profit rate like that of Keynes.

As for the law of value under the socialist system, its nature and function have already undergone basic changes in comparison to the law of value under the capitalist system. It is no longer a regulator of production, but merely utilized by us to a certain extent in carrying out the task of national economic planning.

Therefore, the supply-demand relationship in respect to products can never affect our planned accumulation. Only a man who upholds the Keynesian theory as "golden laws" like Ma Yin-ch'u would derive a preposterous conclusion of this character, namely, that "at the present" we cannot speak of Keynes' "theory," but "in the future" Keynes' "theory" is yet going to have a wide market in our country!

Secondly, because Ma Yin-ch'u considers that the marginal efficiency of capital in the United States is already "very low," therefore in order to enable American capitalists to see what is "profitable," he also does his best in propagating Keynes' interest "theory" and interest rate policy.

He says: "of the two methods which Keynes employs for expanding investment, one is to raise the marginal efficiency of capital" (namely, to uplift the level of technology), "and the other is to lower the interest rate. To lower interest rate is namely to effect inflation."

At the same time as he peddles Keynes' interest "theory" and interest rate policy, Ma Yin-ch'u also advances an argument as to what is "applicable" and what is "inapplicable" in propagating his reactionary views. But in terms of approach, he is now even more subtle than before.

Ma Yin-ch'u thinks that the large volume of agricultural loans issued by our People's Bank and the developing of credit cooperatives in the countryside have already eliminated interest rate as a problem. In his opinion, the purchasing price for agricultural products has been pressed too low by the Government; hence, what we must urgently solve is not the problem of interest rate "but..the problem of purchasing price." Hence, the interest "theory" and interest rate policy of Keynes are not "applicable" in New China.¹³

Here we must first point: Ma Yin-ch'u himself is not very clear about the "theoretical mode" of his mentor Keynes. The assumption of "non-change in the level of technology" is originally one of the postulates of the Keynesian "theory;" and this assumption we have already criticized in the above. Ma Yin-ch'u erroneously takes the raising of the level of technology as a method of Keynes for promoting investment; this not only distorts the "loftiest and newest theory" as he propagates it, but also thoroughly exposes his truly speculationist character in scholarship.

Even so, Ma Yin-ch'u has spared no effort on his part in peddling Keynes' interest "theory" and interest rate policy both before and since liberation. In reality, the preposterous theories in these respects have been long ago refuted by many Marxists. The reason why Ma Yin-ch'u keeps following his mentor, regarding interest as an attribute of money itself and stressing the relationship between interest rate and the marginal efficiency of capital, is merely to try to avoid speaking of interest as a part of the surplus value.

Arbitrarily regarding lending interest and the movement of production capital as separated from each other is actually a common view of all vulgar bourgeois economists, and this view has been peddled consistently by Ma Yin-ch'u in the past several decades. Even today, he still regards it to be a truth more important than "my own precious life."

What is even more important is that there is a basic difference between the interest under the socialist system and the interest under the capitalist system. In our country, we do not have the category of lending capital. The purpose of the interest rate adopted by the banks is mainly

to help consolidate the economic audit system of enterprises and gather floating capital.

Meanwhile, the rate of interest is fixed according to plan by the state banks in relation to economic conditions and political tasks at a given time. Therefore, the purpose of interest rate and its adjustment in our country is fundamentally different from the interest rate policy advocated in capitalist countries, and nothing can be said of whether this interest rate policy might be "applicable" or "inapplicable" as far as we are concerned.

The reason Ma Yin-ch'u has brought about this problem is, beside purposely confusing the economic realms of the two different systems with each other, also to take this opportunity to transplant Keynes' "theory" concerning the marginal consumption propensity. From his point of view because, in the case of China's peasants, "there is absolutely no possibility of the marginal consumption propensity becoming any lower," therefore what needs urgently to be put into practice according to the Keynesian "Plan" in our countryside is not to increase currency issue so as to force down interest rate, but to raise the purchasing price for agricultural products so as to enhance their consumption.

If consumption is enhanced, "aside from the supply of means of production for the sake of guiding the peasants in increasing their productivity, there must be also more consumption goods to meet the enhanced consumption demands of the peasants."¹⁴

We have already pointed out earlier, Ma Yin-ch'u did his best in applauding Keynes' consumption propensity "theory" ten years ago. After "refining" the actualities of the poor life of China's peasants, he derived the preposterous conclusion that the marginal consumption propensity of China's peasants is higher than that of countries like Britain and the United States.

Presently, he is again using devious and round-about techniques in spreading once the poison he had previously spread in old China. He has really become a faithful follower of the "Pumping Policy" championed by the followers of Keynes, (a policy which utilizes investment to carry forward consumption, stimulate production, and enhance

income and employment).

We can see from the foregoing illustration that Ma Yin-ch'u has for ten years unswervingly peddled to the best of his ability the three psychological factors constituting the core of the Keynesian "theory." And at the same time, he, starting from his particular thinking and sentiment pertaining to the style of a foreigner's slave, has also seriously complained about our country's being "backward," and therefore "unsuitable" to apply this "loftiest and newest theory." In this light, it is not very difficult for us to understand what really is the meaning of the "criticism" of Ma Yin-ch'u respecting the [other] followers of Keynes in our country that they had merely had Keynes' "theory" "swallowed lock, stock and barrel." This is, indeed, an unconscious revelation of his profound love for the Keynesian theory.

Finally, we must point out further: nor is the preposterous assertion that economically under-developed countries are "unsuitable" for the application of the Keynesian theory any invention of Ma Yin-ch'u's own. Ever since the publication in 1936 of "The General Theory," there have been many followers of Keynes in the capitalist countries like Mrs. Robinson, Nurkse, and so forth, who long ago started to study how to disseminate Keynes' thought generally to colonial and semi-colonial countries.

Under the condition of the continued collapsing of the colonial system of imperialism since the Second World War, imperialist elements still want to use all possible means to maintain their enslavement and exploitation of the colonial and semi-colonial countries.

Hence, these hireling scholars have also intensified their "endeavor" in this respect. Their common argument is namely that the "backwardness" of the colonies and semi-colonies has not resulted from exploitation by the imperialist and feudal forces, but mainly from the "lack of capital and population increase."¹⁵ Therefore, the economy of "backward" countries "is far, far from reaching any point of saturation as regards investment."¹⁶ Their marginal efficiency of capital and marginal consumption propensity are both very high, and therefore Keynes' "theory" is also not "applicable." Starting from such a preposterous argument, they almost all reach the same

conclusion, namely, that the economic development of the "backward" countries is a "very long process" and, in order to remedy the lack of capital, "the utilization of foreign capital" becomes thus one of the principal conditions in this process.

Very obviously, the purpose of the followers of Keynes in disseminating this preposterous theory is but to keep the colonial and semi-colonial countries permanently in a state of "backwardness" so as to let them subject themselves to incessant enslavement and exploitation by their sovereign states.

They also attempt to spread the idea among the people of these countries as if their countries at the present are still "unsuitable" to apply Keynes' "theory"; when their economies are "developed" in the future, Keynes' plan may then be employed to assure perpetual "prosperity" and stem off the outbreak of economic crises. This preposterous argument, which from beginning to end attempts to defend imperialism, is not necessarily without its market among certain circles of the upper-stratum elements and bourgeois intellectuals in the colonial and semi-colonial countries. In the past several decades, Ma Yin-ch'u has been a very serviceable echoer among them.

Before liberation he not only spread their opinion that China was "unsuitable" for the application of the Keynesian theory, but also cried out loud that the development of China's productivity could not be "achieved in a single leap." Hence, the "utilization of foreign capital" became a "necessary measure" and an "urgent task." 17

Today Ma Yin-ch'u still attempts to shake his tail and beg mercy in front of imperialism, taking his cue from the hireling scholars of imperialism. In his own words, it is really "very hard to understand the intentions of such a heartless and manical intellectual!"

III

Since Ma Yin-ch'u has been wholeheartedly exalting the entire preposterous argument in the "General Theory" of Keynes, he naturally wants to do his best in peddling the

the main policy proposal with which Keynes had tried to ingratiate himself before the monopoly bourgeoisie, namely, the proposal that attempts to expand government investment through an over-spending budget.

Before liberation, he had long considered that "at a time of depression in the fully developed capitalist countries, everybody is afraid of making any investment, therefore, the government cannot but come forth to remedy the situation. But when industries and commerce become activated, the advancing of public works must be postponed until industries and commerce should again face a slackening period."

In his view, as regards the over-spending budget required by the advancing of public works, "the self-repaying capability of public works can be utilized to call in government bonds in Britain and the United States, and therefore no crisis would result in finance."

But if this should be practiced in China, there would be multiple difficulties and certain ill effects would be inevitable." However, "once politics is put in order, this practice may still be carried out." 18

After we "rearrange it according to the actual economic situation in our country and with reference to relevant theoretical principles," it may well be offered "as a reference or basis of action for the government authorities." 19

What makes one feel intolerable is this: in his book Stand, published in 1958, Ma Yin-ch'u has unashamedly re-proffered letter by letter and sentence by sentence the passage "In the fully developed capitalist countries....," which he had propagated before liberation, and followed immediately thereafter with an applause of the New Deal of America's Roosevelt.

He says: "The new policy of America's former President Roosevelt was namely to rely on the government's authority and credit in issuing bonds and investing them in public works, so as to enhance the people's income and bring about prosperity in national economy.

The function of bonds is to absorb the savings in society and use them in productive enterprises. These enterprises are capable of self-repayment, so the bonds can easily be called in. Therefore, the American government promoted economic enterprises with its financial power. This, if administered properly, would indeed produce more benefit and less harm" 20

Here we may see clearly that Ma Yⁱⁿ-ch'u has completely affirmed Keynes' policy proposal as a "good prescription" for reducing unemployment and danger of disruption in capitalist countries. But, in the case of our semi-feudal and semi-colonial old China, he regarded the prevailing conditions as "unsuitable" for applying [this "good prescription"] for the time being.

If China should have practised bourgeois democracy in politics and followed the road of countries like Britain and the United States in economy, the "re-arranged" Keynesian theory proffered by Ma Yin-ch'u might well have been put forward before the "government authorities" of the Four Big Families at the time as a "reference" or even "basis of action."

Even though the whole country is holding high the red banner of Mao Tse-tung's thought today, Ma Yin-ch'u does not dare openly to suggest any such humbug that "once politics is put in order" it may still be offered "as a reference for government authorities," he nevertheless attempts in every way to idealize the "New Deal" of America's Roosevelt, viewing the "economic enterprises" prompted by "financial power as having produced "more benefit and less harm" as far as the American people were concerned.

Precisely because of his profound love for the political life and economic system in capitalist societies, he is still trying his hand at "salvation of the world and humanity" even up to this day, when socialist revolution is progressing more and more penetratingly, fancying, as he does, of reforming the social outlook of New China with his bourgeois standpoing and world conception.

Only persons like Ma Yin-ch'u are capable of expressing themselves in such a shameless manner while applauding imperialism. If we look back slightly at the actual situation in America at that time, we would with little

difficulty understand whether the "New Deal" which Roosevelt practised by adopting an over-spending budget of more than US\$20 billion was really capable of reducing unemployed and danger of disruption as Ma Yin-ch'u has depicted, and whether the public works advanced, and the large volume of bonds issued, by the American government at that time had, in terms of results thereby brought to the American people, really produced "more benefit and less harm" as Ma Yin-ch'u has described. We can entirely smash Ma Yin-ch'u's hocus-pocus by examining the following three aspects:

First, after the American economy passed the crisis and entered into a stage of recession at the end of 1932, although industrial and agricultural production gained some recovery, this tendency was not immediately reinforced on account of the government's large spending. By 1935, America's industrial production index stood still 20 percent lower than that of 1932, and the large number of unemployed persons still did not vanish.

By 1937, along with the deepening of contradiction between production and consumption, there occurred again another of the periodical economic crises in America. At that time the speed of decrease in production was even more precipitous than that at the beginning of the crisis in 1929.

In the meantime, the number of unemployed persons increased from 7,700,000 in 1937 to 10,040,000 in 1938²¹. If the Second World War did not temporarily cause an uplift in the munition industries, America would likely have sunk into another abyss of serious crises. America's Communist leader Comrade Fast has pointed out while criticizing the experiment of the "Keynesian style" "New Deal" that "To revive, even temporarily, a capitalist system which is nearly dying away would necessarily require a gigantic blood transfusion operation by the killing of millions of people."²²

Actually, the American government has carried out in large scale many "Keynesian style" measures even after the War, but the number of unemployed people was not reduced and the period [between repetitions] of economic crises has become even further shortened than before the War.

Hence, there is no longer any meaning in Ma Yin-ch'u's random assertions that at a time of "depression" it is possible for "the government to come forth to remedy the situation," that "when industries and commerce become once activated, the advancing of public works must be postponed," etc. -- except that these assertions may serve to gloss over an American imperialism that is approaching disintegration.

Secondly, the advancing of public works during the period of the "New Deal" which Ma Yin-ch'u has done everything to idealize was actually but an allusion to America's militarization of its economy and positive preparation for war.

Among the public works advanced, the highway, bridge, warehouse projects and electric power generating establishments, etc., were all directly or indirectly connected with military affairs. At the same time, a great many of these works were delegated by the government to monopoly enterprises for contract assignments.

We know, as has long ago been pointed out by Marx, that the damage and waste caused in productive forces by such large-scale military production in capitalist countries are like the dumping of a part of their riches in the water by these countries; it cannot therefore be turned toward further enlarged reproduction.

Also, the vast profits gained by the monopoly capitalists from the government spending on public works were eventually transferred, as a burden, to the people in the form of bonds, levies and taxes; this, in turn, served to reduce the demands with paying ability in society.

All this has tended to aggravate the corruptness of the imperialist countries and the contradiction in their reproduction processes; thereby, the contradiction between the laboring people and the monopolist bourgeoisie became further intensified than ever before.

Ma Yin-ch'u purposely tries to conceal the true character of the American government's public works program, and persistently uses the term "self-repaying capability" from vulgar economics to idealize America's "public works."

What he calls "self-repaying capability" is meant merely that, after the American government had borrowed capital to purchase the means of production and manpower and created such "enterprises," it became then "capable" of repaying its debts with the surplus value gained through exploitation; hence, the income of the capitalists was enhanced, and the economy also became "prosperous."

In our opinion, this is more like an observation made by a broker in a capitalist country; wherein can one find any inkling of "scholarship" and "truth"?

Thirdly, in doing his best to applaud the large volume of bonds issued by the Roosevelt administration to make up the expenditure on public works, Ma Yin-ch'u even considers that such bonds played the useful role of mobilizing the capital of savings for the "development" of productive enterprises. Here, he wholly covers up the fact that, under modern capitalist conditions, the issuing of government bonds is closely connected with inflation.

From 1930 to 1937, out of the US\$20.3 billion's worth of bonds issued by the American government, US\$13.8 billion were purchased by banking concerns.²⁵ As everyone knows, the increase in current deposits caused by the banks' purchase of bonds inevitably leads to inflation, and inflation is precisely one of the means by which the monopolist bourgeoisie reinforces its plunder against the laboring people. If it must be said that the bonds issued by the American government had played any role, the role was limited to this.

The results obtained by the American government in carrying out "Keynesian style" economic policies today not only have failed to produce the "prosperous" outlook as applauded by Ma Yin-ch'u, but, on the contrary, have caused certain "latent worry" in Ma Yin-ch'u.

Under the condition when Federal bonds are almost reaching US\$300 billion, the American government not only must shoulder US\$10 billion's worth of bond interests, but also have to "pay off one debt with another" in dealing with the bonds reaching maturity by issuing new bonds at high interests. This has consequently caused further inflation, further rise of commodity prices, and more and more difficulties in bond issuance.

Even sudden drops of the market value of bonds have become a trend not too infrequently witnessed in recent years. Facing such stark realities, even Ma Yin-ch'u must feel apprehensive that if America's "over-spending budget continues in this manner, knowing of no limit, it is indeed going to be America's latent worry"²⁴ (emphasis is added by quoter).

In our opinion, whether the Roosevelt administration or the Eisenhower administration, it is all the same an instrument used by the monopolist bourgeoisie to exploit the laboring people; there is not a shred of difference in character between them. Stalin had long ago pointed out in his conversation with the British writer Wells in 1934 that, in the United States, presidents always come and go but capitalists never change.²⁵

Therefore, while the monopolist circles in America are today collecting their windfalls under the Eisenhower administration that employs the technique of faking peace on the one hand and preparing for war on the other, the profits gained by monopoly capitalists during the period of Roosevelt's "New Deal," too, surpassed the level in past history.

Ma Yin-ch'u not only shamelessly tries to gloss over things in behalf of American imperialism, but, because of his unlimited love for the Keynesian theory, also feels thus "happy" for Roosevelt's New Deal and "worried" for Eisenhower's over-spending budget and bond issues in large scale. Hence, we can once more see the reactionary character of Ma Yin-ch'u.

IV

There is in Ma Yin-ch'u's "economic theory" a characteristic of his time; it typically reflects the thinking and sentiments of the peddlers of the Keynesian theory in colonial and semi-colonial countries. These people are forever attracted by the capitalist road and infinitely reverent and covetous toward the capitalist economic system.

As for the Keynesian theory, which is ideologically representative of that system, they worship it to the extent of crawling on all fours while complaining about the backwardness of their own countries that prevents them from unlimitedly peddling such "golden laws" and "spirit of the times."

On the other hand, as Keynes' faithful disciples they do not want to give up their activities pertaining to a cultural compradore; on the contrary, they insist on applying the spirit and substance of these "golden laws" on economic actualities of their own countries in a "combined treatment."

Therefore, the question lies clearly before us: two basically incompatible world trends of thought, two economic theories absolutely opposed to each other, two different standpoints, two different roads -- [the existence of] all this is the focal point from which our difference have developed.

On that point, Ma Yin-ch'u did not hesitate in speaking of it ten years before -- namely ten years pursuant to the time when he first "rejected my own class" "exactly as did Marx." He was still able to cry out that the capitalist road was not yet out-of-date in China, and that the Keynesian theory represented the new tide of the time.

He was also unequivocally opposed to "imparting" socialism in youth and students. Yet, how long has it been? Today -- namely, after only twenty years since Ma Yin-ch'u first "rejected my own class," he does not even have an iota of frankness left in him. Facing the reality that Marxism has already deeply penetrated into the people's hearts in China today, Ma Yin-ch'u is forced to drop a smoke bomb, doing his best to distort the present struggle between Marxism-Leninism and vulgar economics into a contention between the "out-dated" "dogmatism from foreign books" and his "Sinified new theory." But this stratagem on Ma Yin-ch'u's part does not surprise us.

As early as forty years ago, when Ma Yin-ch'u was just starting to peddle vulgar economics of the West, he at once set himself fiercely upon Marxism, which had just

been spread to China, shouting that Marxism was "foreign goods" not suitable for China.

Here, it should also be pointed out that, even today, there are still numerous bourgeois politicians and thinkers in the many colonial and semi-colonial countries who adopt this stratagem in the vain hope of relying on it in order to deceive the people of their own countries, to propagate Western culture, and to drag their countries onto the capitalist road.

The Chinese people, who are armed with Mao Tse-tung's thought, have long abandoned this anachronical dead-end. In their long revolutionary struggles, the Chinese people have heartfully recognized that it is necessary to lean to one side, and that they also cannot proceed with China's revolution in isolation because the present situation in the world is one in which the revolutionary and the counterrevolutionary forces wage their final struggle.²⁶

Also, "the Chinese revolution is a part of the socialist revolution of the world proletariat."²⁷ The so-called "independent" road of capitalist development is but a lot of hocus-pocus and sleep-talk. This truth is also very obvious on the cultural front and in the ideological realm.

During the period when the socialist ideology and the capitalist ideology are locked in a sharp struggle, any intellectual in China is liable to lean to the ideology of world capitalism and become representative of, or subservient to, its monopolist bourgeois thinking-- if he is not determined in leaning to the ideology of world socialism or refuses to accept the Marxist-Leninist theory. A middle road does not exist.

The so-called "purely national" "independent" "new theory" is but a deceptive shop sign hung up for the peddling of Western imperialist culture. Ma Yin-ch'u's own life in peddling vulgar economics for more than forty years has supplied to us a good example.

FOOTNOTES

1. Ma Yin-ch'u, "My Economic Theory, $\frac{1}{2}$ philosophical Thought and Political Stand," The Finance Publishing House, 1958 edition, pp. 80, 89.

2. Ma Yin-ch'u, "Finance and China's Financial Administration," The Commercial Press, 1948 edition, pp. 1-2.

3. Ma Yin-ch'u, "A General Treatise in Economics," The Commercial Press, 1947 edition, pp. 68-69.

4. Ibid., p. 259.

5. "Addresses of Ma Yin-ch'u," vol. VI, the Commercial Press, 1928 edition, p. 54.

6. The same as note 3, p. 3.

7. "The Complete Works of Lenin," vol. XXXI, People's Publishing House, Chinese translation, p. 191.

8. Keynes, "Essays in Persuasion," New York, 1932 edition, p. 3; Keynes, "The General Theory of Employment, Interest and Money," New York, 1936 edition, p. 32.

9. The same as note 2, pp. 1-10.

10. Ibid., p. 8.

11. Ma Yin-ch'u, "The Reform of China's Economy," The Commercial Press, 1935 edition, p. 332.

12. The same as note 1, pp. 75-79.

13. Ibid., pp 79-83.

14. Ibid., pp 95.

15. Pan-pen Erh-lang [Sakamoto, Niro], "The Major Problems and Relevant Writings Concerning the Economic Growth of Under-Developed Countries," in "World Economic Digest," March 1957, p 8.

16. "Keynesian Economics," India, 1956 edition, p 161.

17. The same as note 11, pp. 332, 386.
18. The same as note 3, p. 273.
19. The same as note 2, p. 16.
20. The same as note 1, pp. 83-84.
21. Hazlitt, "The Failure of the 'New Economics,'" New York, 1957 edition, p. 421.
22. Fast, "History of the American Communist Party," The World Culture Publishing House, 1959 edition, p. 350.
23. Westerfield, "Money, Credit and Banking," New York, 1937 edition, pp. 904-905.
24. The same as note 1, p. 84.
25. Stalin, "Conversation with British Writer Wells," The People's Publishing House, 1953 edition, p. 7.
26. "The Selected Works of Mao Tse-tung," vol. I, 1951 edition, p. 4.
27. "The Selected Works of Mao Tse-tung," vol. II, 1952 edition, p. 677.

Where Ma Yin-ch'u's original words are quoted without giving any source, they are generally taken from Ma Yin-ch'u: (1) "Finance and China's Financial Administration," (2) "A General Treatise in Economics," (3) "My Economic Theory, Philosophical Thought and Political Stand," (4) "My Philosophical Thought and Economic Theory," in "New Construction," November 1959; (5) "Repeating My Request," in "New Construction," January 1960; (6) "Again on the 'T'uan-t'uan-chuan' Theory in My Equilibrium Theory," "Kuang-ming Jih-pao," 9 May 1958.